

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 1997

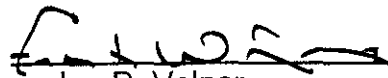
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Docket No. R97-1

**RESPONSE OF ADVERTISING MAIL MARKETING ASSOCIATION
WITNESS ANDREW TO INTERROGATORIES OF
UNITED STATES POSTAL SERVICE
(USPS/AMMA-T2-1-3)**

The Advertising Mail Marketing Association ("AMMA") hereby provides the responses of witness Gary M. Andrew to the following interrogatories of the United States Postal Service, filed on January 14, 1998: USPS/AMMA-T2-1-3.

The interrogatories are stated verbatim and followed by the responses.

Respectfully submitted,



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Counsel to Advertising Mail Marketing
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January 22, 1998

**RESPONSE OF ADVERTISING MAIL MARKETING
ASSOCIATION WITNESS ANDREW TO INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE**

USPS/AMMA-T2-1

Please confirm that your proposal would decrease the current differential between the per piece discounts for DBMC and DSCF from 0.5 cents per piece to 0.4 cents per piece.

RESPONSE

Confirmed.

USPS/AMMA-T2-2

- a. Please confirm that your proposal would result in an increase (versus the Postal Service proposed rates) of 1/2 cent per piece for non-destination entry, piece-rated ECR pieces.
- b. Please confirm that your proposal would result in an increase (versus the Postal Service proposed rates) of 1/10th of one cent for DBMC-entered piece-rated ECR pieces.
- c. Please confirm that your proposal would result in no change (versus the Postal Service proposed rates) for DSCF-or DDU-entered piece-rated ECR pieces.

RESPONSE

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

USPS/AMMA-T2-3

Please refer to your testimony at page 9, line 15 through page 10, line 6.

- a. Is it your testimony that any piece dropshipped to the DBMC would have resulted in an additional cost to the Postal Service of 1.86 cents had the piece not been dropshipped?

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- b. Could the additional cost be less than 1.86 cents? Please explain why or why not.
- c. If the additional cost was less than 1.86 cents, but a discount of 1.9 cents were extended to the mailer, would the result meet the objective of "maximizing productive efficiency."

RESPONSE

- 3.a Given the 9.04 cents per pound cost avoidance computed by the Postal Service (LR-H-111 page 2), a 3.3 ounce piece of Standard A mail will on average cost the Postal Service an additional 1.86 cents per piece if it is not dropshipped. [$1.86 = 3.3 \text{ ounces} \times 9.04 \text{ cents per pound} \div 16 \text{ ounces per pound}$].
- 3.b As indicated in my response to 3.a (above), I have accepted the Postal Service costing methodology and resultant estimated costs avoided for dropshipping. The only estimated cost avoidance for destination entry for per piece mail is the 1.86 cents per piece developed by Witness Moeller.
- 3.c At 1.86 cents per piece and to the level of precision stated in the question, i.e., one tenth of one cent, the answer is yes. The rounding of 1.86 cents per piece to 1.9 cents per piece does not impact the overall rate structure because of the cushion built into the 100% passthrough following Witness Moeller's rate calculation; namely, the subclass must continue to pay the markup (or meet the cost coverage) on the dropship savings. If the estimate gets below 1.85 cents per piece, then the discount would be rounded to 1.8 cents.

DECLARATION

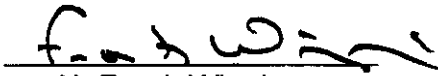
I, Gary M. Andrew, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


A handwritten signature in black ink, appearing to read "Gary M. Andrew", is written over a horizontal line. Below the line, the name "GARY M. ANDREW" is printed in a sans-serif font.

Dated: 1-21-98

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served this document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


N. Frank Wiggins

DATE: January 22, 1998

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